

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10
IO-13 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01
TRSE-00 USIA-06 SP-02 SOE-02 OMB-01 DOE-11 /157 W
-----030370 190356Z /61

R 171645Z MAR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4262
INFO USMISSION USUN NEW YORK
AMEMBASSY MOSCOW
AMEMBASSY CANBERRA
AMEMBASSY OTTAWA
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY BRASILIA
AMEMBASSY TOKYO

C O N F I D E N T I A L LONDON 04327

USEEC

E.O. 11652: N/A
TAGS: ETRD, EPAP, ISO
SUBJECT: SUGAR -- CONVERSATION WITH SOVIET REPRESENTA-
TIVE

1. EMBOFFS (THIGPEN, PILKAUSKAS) MET WITH M. C. PANKIN,
HEAD OF DEPARTMENT OF INTERNATIONAL ECONOMIC ORGANIZA-
TIONS, MINISTRY OF FOREIGN TRADE, MOSCOW, AND V. BOGATYI
USSR TRADE DELEGATION, LONDON, MARCH 16 TO DISCUSS INTER
.
NATIONAL SUGAR AGREEMENT (ISA) AND SOVIET RESERVATION TO
THEIR INSTRUMENT OF ACCEPTANCE DEPOSITED AT THE U.N.
THE RESERVATION IN QUESTION STATES INTER ALIA THAT THE
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PROVISIONS OF THE AGREEMENT RELATING TO STOCKS ARE NOT
APPLICABLE TO THE U.S.S.R. WHILE THE RESERVATION IS
WORDED SIMILARLY TO THE SOVIET RESERVATION TO THE 1968
AGREEMENT, THE NEW ISA IS FUNDAMENTALLY DIFFERENT FROM
THE EARLIER AGREEMENT, WITH STOCK PROVISIONS OF CENTRAL
IMPORTANCE.

2. EMBOFFS EXPLAINED DELICATE SITUATION CREATED BY THE SOVIET RESERVATION, POINTING OUT THAT OPPONENTS OF U.S. RATIFICATION COULD BE EXPECTED TO USE THIS TO REINFORCE THEIR ARGUMENTS THAT THE ISA IS UNWORKABLE SINCE OTHER MEMBERS WILL NOT CARRY OUT THEIR OBLIGATIONS. WE STRESSED THAT TO WORK SYSTEM HAD TO BE AIRTIGHT AND THAT ARTICLE 51 EMBODIED A FUNDAMENTAL CONCEPT OF THE NEW ISA. PANKIN EXPRESSED APPRECIATION FOR OUR VIEWS. HE SAID ISO EXECUTIVE DIRECTOR JONES-PARRY, CUBANS AND SEVERAL OTHER ISA MEMBERS (WE LATER LEARNED AUSTRALIA WAS AMONG THEM) HAD APPROACHED HIM IN PAST FEW DAYS WHILE HE WAS IN LONDON FOR INTERNATIONAL COCOA ORGANIZATION MEETINGS. HE SAID THESE DISCUSSIONS HAD CLARIFIED THE MATTER FOR HIM. HE IMPLIED USSR HAD NOT REALIZED THEIR RESERVATION WOULD CREATE SERIOUS PROBLEMS.

3. PANKIN SAID HE HAD UNDERSTOOD THAT TACIT ACCEPTANCE OF THE SOVIET RESERVATION HAD BEEN "NEGOTIATED" AT GENEVA, THAT OTHER NEGOTIATORS HAD ACCEPTED AND UNDERSTOOD THE SOVIET POSITION. HE SAID IT IS APPARENT TO HIM NOW THAT ASSUMPTION WAS NOT ENTIRELY CORRECT. EMBOFFS SAID THEY HAD NO INFORMATION INDICATING THE CONFERENCE HAD ACCEPTED THE SOVIET RESERVATION.

4. PANKIN REAFFIRMED SOVIET INTENTION TO CARRY OUT ALL OBLIGATIONS UNDER THE ISA, INCLUDING ASSURANCE THAT FEES

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ARE PAID ON IMPORTS FROM THE FREE MARKET. HE SAID HE DID NOT THINK FEE PAYMENT ON IMPORTS WAS INSOLUBLE BUT DID SEE DIFFICULTIES IN WORKING OUT A SYSTEM FOR PAYMENT OF FEES ON SOVIET EXPORTS TO NON-MEMBERS (E.G. TO AFGHANISTAN). HE SAID HE WOULD CARRY THE MESSAGE BACK TO MOSCOW AND WOULD URGE HIS SUPERIORS TO REVIEW THE SOVIET RESERVATION WITH A VIEW TOWARD FULL COMPLIANCE WITH THE PROVISIONS OF THE ISA. HE OBSERVED, WITHOUT AMPLIFICATION, THAT THE PROBLEM WAS ONE OF "PRINCIPLE" WITH FEE PAYMENT. WHILE HE FELT SOME SORT OF OPERATIONAL PROCEDURE MIGHT BE WORKED OUT, HE WAS CAREFUL TO MAKE NO COMMITMENTS.

5. WE ALSO TOUCHED BRIEFLY ON OTHER COMMODITY ISSUES, INCLUDING THOSE COVERING TIN, RUBBER, COFFEE, COCOA AND THE COMMON FUND.

BREWSTER

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